

THOMAS COOK UK TOURISM INDUSTRY, THE 2ND LARGEST TRAVEL AGENCY IN EUROPE

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Abstract

Thomas Cook is one of the largest tourism industry in Europe and UK. It aims to achieve the top-loved tourism industry, personalised holiday experiences, delivering inspiring for all its customers. It offers multiple services related to tourism, like airlines, hotels, cruises, foreign exchange, insurance, holiday packages, and many one-stop-shop for all the travel needs. Thomas cook is built by Multidivisional Structure, it separate division on the 3 parts: products, service or geographical destination. In order to compete in high growth market, it is an excellent opportunity for Thomas Cook to penetrate their services in a global area, especially in China.

Key Words: *Thomas Cook, tourism industry, travel agency*

JEL Classification: *L83*

I. INTRODUCTION

Thomas Cook is a global well-known leading leisure travel services company, occupies the 2nd largest travel agency in Europe, with the selling of £9 billion and serving 20 million customers in 2017. It has around 22,000 colleagues engage in 17 countries, owns 93 aircraft and 3,170 hotels, it also operates its own-brand cruises, resorts, foreign exchange, insurance and so on (Thomas Cook, 2017).

It started its first business in 1841, a rail journey from Leicester to Loughborough. After that, it continues developed service integrates into one package combined with transport, accommodation and tourists. Promotion through intermediaries, such as travel agents, directly selling or online channels (Brendon P,1991).

Thomas Cook's core value is **Put Our heart into it, Wear their Flip-Flops and We are one Thomas Cook** (thomascok, 2018). Exceed expectations for its customers make it achieves such tremendous success. It aims to achieve the top-loved tourism industry, personalised holiday experiences, delivering inspiring for all its customers.

II. SWOT ANALYSIS

SWOT provides insight summary of Strengths and Weaknesses explored its internal resource capabilities, Opportunities and Threats indicated its external environmental (John, T, 2016), it can help to make the generating strategic choice and assessing future strategy in action. SWOT analysis as a tool comprehensive understanding of the **strength, weakness, opportunities and threats** of Thomas Cook face. (Gerry, J, 2017).

2.1. Strength

2.1.1 Multiple Services with Multidivisional Structure

Thomas Cook is one of the **largest** and **oldest** travel industry in the world, offering **multiple services** related to tourism, like **airlines** (Figure 1), **hotels** (Figure 2), **cruises** (Figure 3), **foreign exchange** (Figure. 4), **insurance** (Figure. 5), **holiday packages**, and many one-stop-shop for all the travel needs. Thomas cook is built by **Multidivisional Structure** (Figure. 6), it separate division on the 3 parts: products, service or geographical destination. The advantage of Thomas Cook company could be providing **flexibility change** because its available add, close or merge divisions (Figure 7) as circumstance modification. It helps more efficient training in particular product, technology, customer division (Gerry, J, 2017, p.443). As a result, it does not have to worry about airline regulations compare with other tourism company, as they have their own fleet with 93 aircrafts. Similarly, it does not have to pay another insurance company because it has its own insurance brand. In addition, Thomas Cook foreign exchange guarantees customer the best rates for traveling (love-pet, 2018). Wide range of brand offerings helps Thomas Cook serves the diverse range of customers.



Figure 1. Thomas Cook, Airlines London Gatwick to Cape Town, 2017



Figure 2. Thomas Cook, Egypt holidays, 2018



Figure 3. Thomas Cook, Cruise show, 2018



Figure 4. Thomas Cook, money exchange, 2018

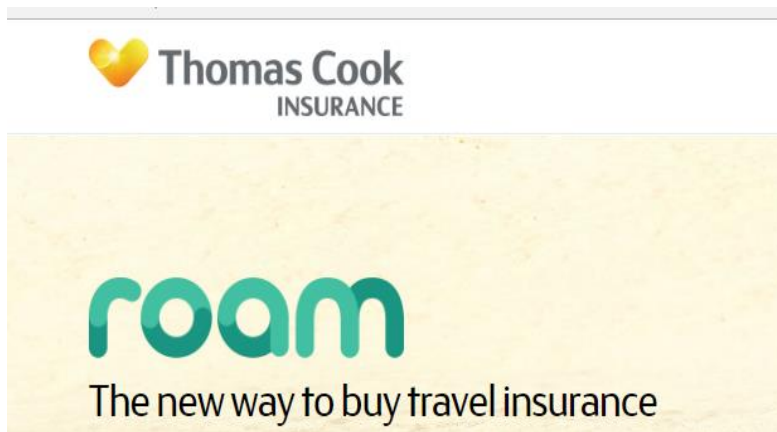
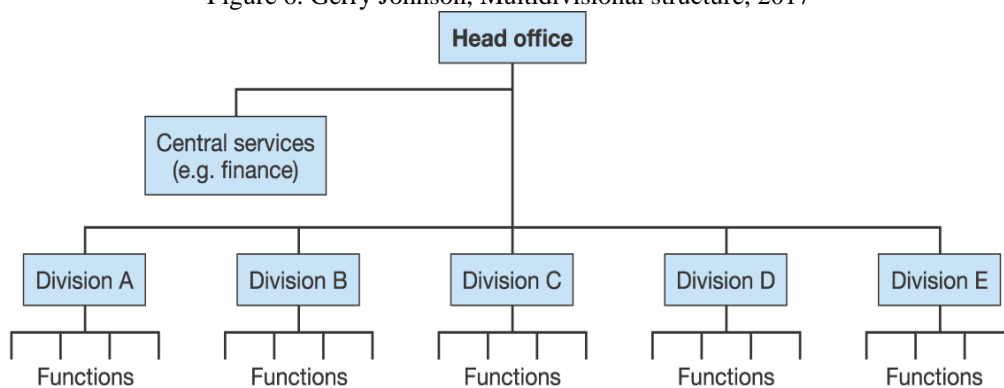


Figure 5. Thomas Cook, Insurance, 2018

Figure 6. Gerry Johnson, Multidivisional structure, 2017



Advantages

- Flexible (add or divest divisions)
- Control by performance
- Ownership of strategy
- Specialisation of competences
- Training in strategic view

Disadvantages

- Additional costs of the centre
- Duplication at divisional level
- Fragmentation and non-co-operation



Figure 7. Google, Merge brands, 2018

2.1.2. Culture Strategy and Flexibility Package

Putting customer at **Our Heart** is the main strategy for Thomas Cook's **Culture** (Thomas Cook Group, 2017) and offering customer availability of **Customization** and **Flexibility** (Hitesh, B, 2017), it aims to become the most loved travel company. In 2016, it launched three Customer Promises: **Quality**, **Service**, **Reliability** (CSR, 2017), these declarations strict all details base on the employees' performance, which helps increasing customer loyalty and attracting new tourists. Mark Fields emphasised the importance of culture for strategy. He said 'Culture eats strategy for breakfast' (Gerry, J, 2017, p174). **Flexible** Trips package gives customer the freedom to tailor their own holiday. Thomas Cook **business model** focus on customer journey, it begins with inspiration online promotion, though planning and booking own-brand hotel and flight, enjoying added-value service, and finishing in sharing experience with others after the journey. Using this circle model (Figure 37), Thomas Cook builds a closer relationship with customers and makes them one of the favourite travel shops.

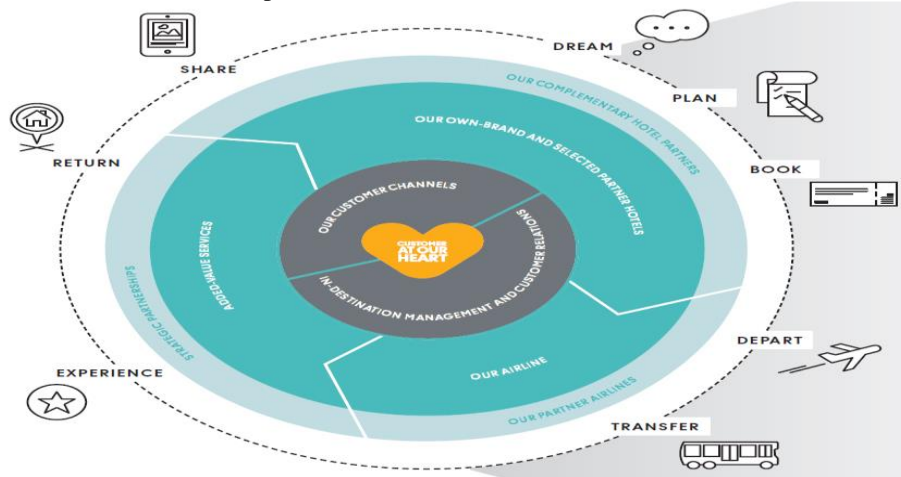


Figure 8. Thomas Cook, Business circle model, 2017

2.1.3 CSR, Diverse Employee, Sustainable Destination

Thomas Cook's **Diverse employee** strength all over the world, it has more than 22,000 employees (Figure 30), with 68% of employees are female and 32% are male, which gives the company a global image (CSR, 2017). Annual Group-wide employee engagement survey 2017, it got 77% score, the concept "**Every Voice**" provides the opportunity for all employees to send feedback about their feeling in working at Thomas Cook, such as their views on company's strategy, their confidence in their manager or leadership, transparency on the Company's operation or company working atmosphere. It identifies recruiting, training, developing, retaining and inspiring of employee development strategy are directly impact on their success. In order to deliver holidays product for the long-term strategy, **sustainable destination** both communities and tourists are highlight in CSR. Local label excursions are a key tool to promoting local employment and economic development. It makes sure to benefits for local communities. CSR (2017) shows Thomas Cook owns 61 local label excursion in more than 30 destinations, it gives tourist an opportunity to experience and spend time with the real local community.



Figure 9. Thomas Cook, CSR, 2017

2.1.4 Effective Leadership and Corporate Governance.

Lynch. R (2015) identified **leadership** is the ability to share the company's decisions and continues to deliver high value, not only for the individual but also by inspiring and managing others employees in the industry. The incident of 2012 economic recession led tourist number to turn down sharply. It made Thomas Cook close to the verge of bankruptcy. In that case, Thomas Cook implemented **strategic change: turnaround strategy** (Slater and Lovett,1999) and introduced urgent measures to prevent the occurrence of a financial disaster. Cathode, P (2006) indicates that the hospitality industry holds a high rate of business failure base on its instantly perishable products, however, some companies achieved successful revitalisation with a turnaround concept. **Harriet Green** (Figure 10) is the legendary person in Thomas Cook, she made cold-call to Thomas Cook boss that she was the right person to survive the company, she started work at 6:30 every day and emailed all the 35,000 employees to ask their opinions on how to change company situation, and received 8,000 replies, later she made the solution way is to cut the physical stores and create more Internet tourism service, after 2 years' effort, Thomas Cook achieved vibrant for its business (Will, S.2013). In addition, Thomas Cook chairman **Frank Meysman** made **governance statement** to put the customer at the heart of their culture value, spending more time to understanding customers, colleagues and holidays relationship to offer more closely tourism package (Thomas Cook. 2017). Currently, leadership board of directors could be seen in Figure 11.



Figure 10. telegraph, Harriet Green joined Thomas Cook, 2012



Figure 11. Thomas Cook, Leadership Board of directors, 2017

2.1.5. Adhere to Business Ethics

CSR (2017) shows Thomas Cook recognises the UN Guiding Principles on **Business and Human Rights**, supports **child protection** to inform and train their suppliers, employees and stakeholders more effectively when child's safety suffer by risk and declares have a zero tolerance on any form of **bribery and corruption**. Last year, Thomas Cook has trained all staff on bribery and corruption policy, it made them understand to reduce modern slavery risks. Moreover, in this year, the General Data Protection Regulation (GDPR) will be implemented. The new technology could enhance its information security to make customer personal data more confidentiality (Thomas Cook. 2017).

2.2. Weakness

2.2.1. Strategy Implementation: Perishability

Perishability is common to all travel providers (Sebastian, K, 2012), especial for Thomas Cook base on its own hotels and airlines. Unoccupied **hotel rooms** and **plane seats** can directly lead to losses, which similarly with the cancelled booking of the tour operator. Generally, in the tourism industry, at peak times capacity may be **insufficient** to meet demand. However at the off-peak time always has residual resources (Nigel, E., 2015). The challenge of manager is to improve operation capacity more efficient.

2.2.2 Intensive Competition-Porter's 5 and limited destination

Tourism industry is one of the biggest service industries in the world. It is difficult to sustain in such a competitive market. Thomas Cook main **competition substitutes** agency (Owlet, 2018) could be **TUI Travel** (the biggest tourism industry in the UK), **Jet2** and **Expedia**. For airline part, the major substitutes could be **low-cost carriers**, or **British Airways**, **Virgin Atlantic** and **Titan Airways** (mbaskool, 2018). Thomas Cook's another weakness comparing with other tourism industries is the limited destination, CSR (2017) shows it operates main segments are UK and Ireland, Continental Europe, Northern Europe, American and Caribbean Sea (Figure 12), lacking Asia and Africa market.

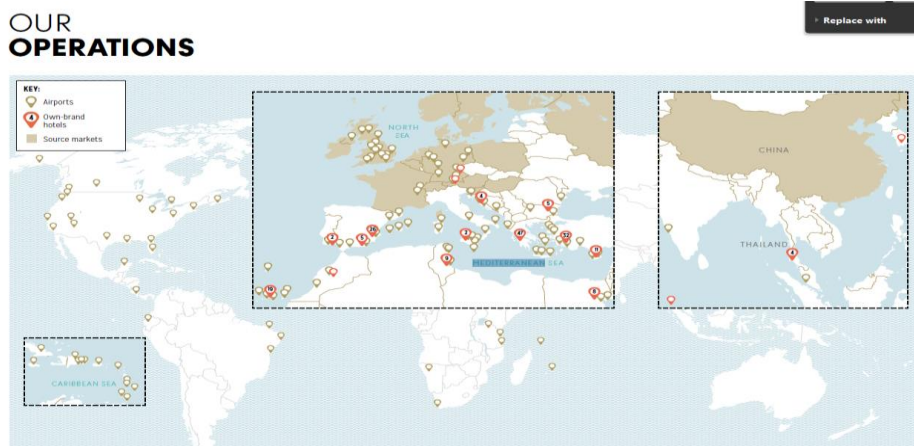


Figure 12. Thomas Cook, Main tourism segments, 2017

3.1.2.2.3 Confused Brands, Disadvantage of Multidivisional Strategy

As we already discussed the advantage of Multidivisional Strategy in 2.1.1. The **disadvantage** of Thomas Cook could be too many brands have led to confusing customer's mind (Figure 13), it is hard to promote specific marketed (Thomas Cook, 2018).

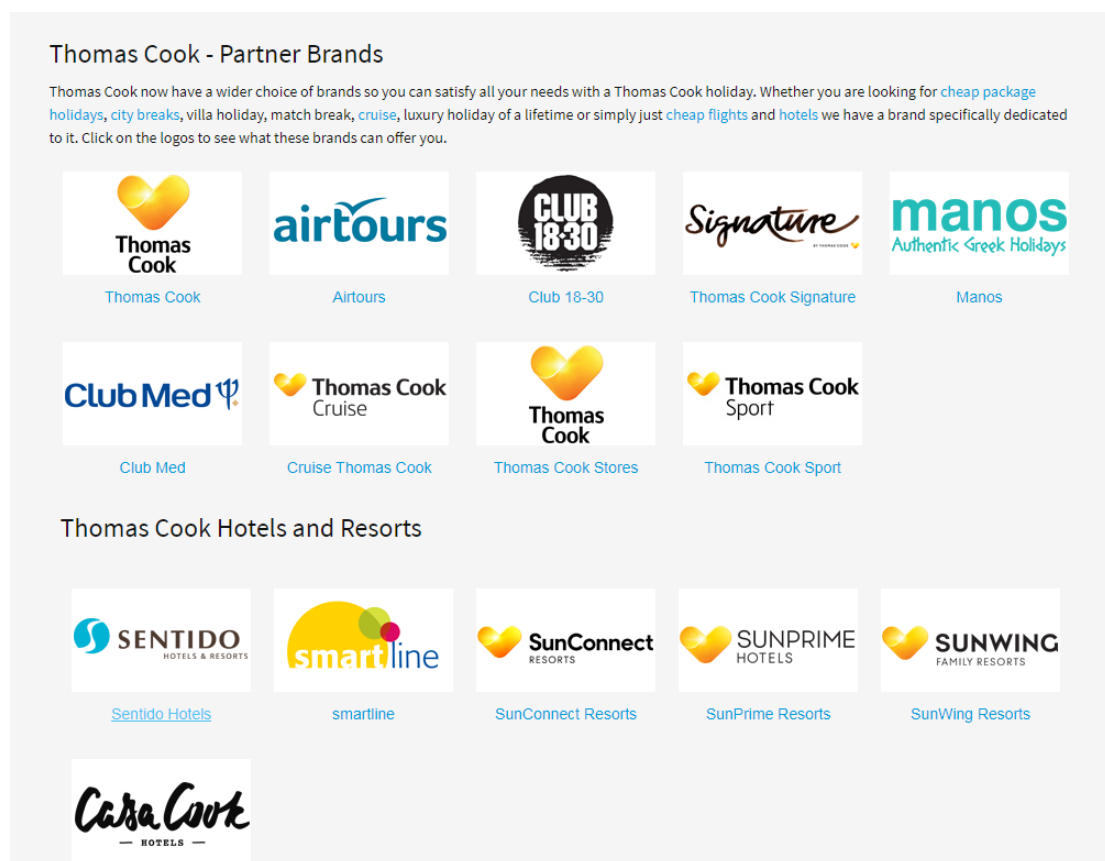


Figure 13. Thomas Cook, Partner brands, 2018

2.3. Opportunities

2.3.1. Expand global markets especial in China

Thomas Cook is one of the largest tourism industry in Europe and UK. In order to compete in high growth market, it is an excellent opportunity for Thomas Cook to penetrate their services in a global area, especially in China. The significant progress is launched **Thomas Cook China** “托迈酷客” brand (Figure 14) and the joint venture with Fosun (leading Chinese investment conglomerate) in 2016. The growing Chinese consumers’ demand for leisure holiday packages is a good opportunity for Thomas Cook. It serviced more than 20,000 Chinese tourists in last year. Thomas Cook aims to grow this more than 10 times in 2018 (Thomas Cook, 2017, P12).



Figure 14. Thomas Cook, Thomas Cook China托迈酷客, 2017

2.3.2. CSR, Reduce the impact of climate change

CSR (2017) shows its focus on reducing **emissions** (Figure 15), according to the statistic the travel and tourism sector made more than 5% of all global carbon emissions. The majority of gas emissions come from its Group Airlines, Thomas Cook committed to improving fuel efficiency by 50% in 2050. The use of **water** is widely essential in Thomas Cook business chain. It is used for showers, swimming pools, cleaning and growing food for the own-brand hotel restaurants. It is engaging with hotels and informing tourists to **avoid wasting**

water and reduce consumption. It encourages hotel to apply for **Travelife** (a leading sustainability hotel certification scheme) and promises by 2020 that 100% of own-brand hotels to be accredited by travelife (Figure 16).

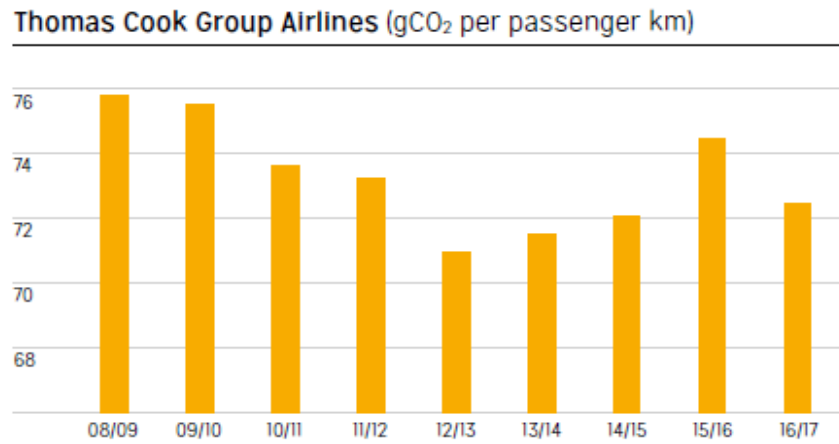


Figure 15. ThomasCook, Sustainability report, 2017



Figure 16. Travelife, Sustainability in tourism, 2018

2.3.3. Strategy Change, retuning Turkey, Egypt and Tunisia destination

Thomas Cook is rebalancing and shifting back towards higher margin destination such as **Turkey**, **Egypt** and **Tunisia**, which suffered terrorism attack and political change in the recent year (John, P.2018). Summer destination report 2017 highlights Egypt and Turkey as popular destinations, the package holiday bookings to Egypt are increasing by 89 % while Egypt bookings rate has risen by 87 % (express. 2018). Since this year February reopened Tunisia flight, Tunisia holiday bookings are also on the rise (Sophie, 2018). These destinations are returning to favourite family package.

2.4. Threats

2.4.1. Strategy Change, Evolution made Thomas Cook closed 50 stores

Gerry, J (2017) identified **evolution** is change in strategy that results in transformation, but gradually. BBC (2018) reported 50 Thomas Cook stores had closed before March this year, with 400 jobs at risk to be redeployed, Hammersmith store closed in March could be seen on (figure 17). The reason is less than half percentage of holidays have been booked in stores since last year, some of the location falling in customers has hit profitability, while online sales in the UK grew by 27%. Phil, D. (2017) reported that customers were increasing 113% using mobile to search holidays on ThomasCook.com. Base on this, Thomas Cook changes their strategy from **physical stores** to **online platform**. The main threat is to maintain offering customers the best of Thomas Cook experience, chief executive Peter Fankhauser promised to implement a set of actions to improve its performance (James, A, 2017).



Figure 17. Shengnan Yin, Hammersmith store close announcement, 2018

2.4.2. Strategy Change Uncertainties Brexit

Uncertainties **Brexit** will threaten a multi-border European tourism. Changing of visa regulation, rising cost of airline tickets and lacking hospitality labours may lead to tourism **revolution**. Everything changes must be taken care of on immediate basis. Currently, Thomas Cook is working with EU and UK governments to highlight the benefit of the previous employees, try to make a bilateral agreement between EU member states and the UK (Thomas Cook. 2017).

III. CONCLUSIONS

As a conclusion we can suggest firstly, maintaining its value customer at Our heart, adhering customer promise: **Quality, Service, Reliability** and providing **exceed expectation service** to increase customer **loyalty** and attracting new customers. Secondly, strengthening its **multiple services** especially own-brand hotels and flights offering, enhancing employee training to ensure customers get consistently **excellent service experience**. Thirdly, improving sustainable destinations developing, achieving 100% of own-brand hotels to be accredited by travelife, using airline fuel more efficiency to reduce the impact on environment.

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